

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on September 28, 2006 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, New Jersey.

The following **Authority Members** were in attendance:

Edward Tetelman, Designee of the Commissioner of Health and Senior Services (serving as Chair pro tem); Moshe Cohen, Public Member; Thom Jackson, Public Member; Frieda Phillips, Designee of the Commissioner of Human Services; and, Maryann Kralik, Designee of the Commissioner of Banking and Insurance.

The following **Authority staff members** were in attendance:

Mark Hopkins, Dennis Hancock, Jim Van Wart, Michael Ittleson, Suzanne Walton, Susan Tonry, Bill McLaughlin, Neetu Thukral, Marji McAvoy, Ron Marmelstein, and Stephanie Bilovsky.

The following **representatives from State offices and/or the public** were in attendance:

John DiAngelo, Tom Baldosaro, South Jersey Hospital; Thomas Scott, Saint Barnabas Health Care System; Vic Radino, Citigroup; John Dellocono, Debbie Connors, CentraState Medical Center; Bill Mayer, DeCotiis, FitzPatrick, Cole & Wisler; Scott Kobler, McCarter & English; Kevin Stagg, Christian Health Care Center; Brian Carter, Chris McCann, Wachovia Bank; Kay Fern, Evergreen Financial; James Fearon, GluckWalrath LLP; Elizabeth Hopkins, Fred Haesche, staff family guests; Melissa Lieberman, Governor's Authorities Unit; Thomas Papa, Treasury; and, Clifford T. Rones, Deputy Attorney General.

### **CALL TO ORDER**

Executive Director Mark Hopkins called the meeting to order at 10:13 a.m. and announced that this was a regular meeting of the Authority. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to all newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and the *Courier Post*, enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

In the absence of the Chairman and Vice Chairman, Ms. Phillips nominated Ed Tetelman to serve as Chairman pro tem for the meeting. Ms. Kralik seconded. The vote was unanimous and the motion carried.

### **AB RESOLUTION NO. GG-26**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority appoints Ed Tetelman to serve as Chairman pro tem for the September 28, 2006 Authority meeting, in the absence of the Authority's Chairman and Vice Chairman.

## ***INTRODUCTION TO NEW PUBLIC MEMBER***

### ***Thom Jackson***

Mr. Tetelman introduced the Authority's new Public Member, Thom Jackson. Mr. Jackson lives in Morris Township, and brings to the Authority more than 20 years of legal and corporate budget management experience through his service as a senior corporate counsel at MetLife and Prudential, and as former Executive Vice President, General Counsel and Corporate Secretary for the GAB Robins Group.

Mr. Tetelman stated that GAB Robins is a leading provider of global risk management services and solutions to the insurance and self-insured marketplace. As chief legal officer, Mr. Jackson was responsible for managing global legal, regulatory, compliance and risk management activities of the firm. He also has negotiated and structured complex financial instruments in excess of \$400 million and has completed numerous international acquisitions and divestitures.

In 2001, Mr. Jackson co-founded the American Association of Independent Claims Professionals. He also served on Governor Codey's budget advisory team in 2005, as well as Governor Corzine's Budget and Re-engineering Government Transition Team earlier this year. Mr. Jackson's experience with large financial transactions and the insurance industry will surely make him a valuable asset to the Authority. Mr. Tetelman stated that the Authority Members and staff welcome Mr. Jackson and look forward to doing good work together.

## ***APPROVAL OF MINUTES***

### ***August 29, 2006 Authority Meeting***

The minutes for the Authority's August 29, 2006 meeting were distributed for review and approval. Dr. Cohen offered a motion to approve the minutes; Ms. Phillips seconded. Mr. Tetelman voted yes, Dr. Cohen voted yes; Mr. Jackson voted yes; Ms. Phillips voted yes; and, Ms. Kralik abstained. The motion carried and the minutes were approved.

## ***TEFRA HEARING AND CONTINGENT BOND SALE***

### ***South Jersey Hospital, Inc.***

Suzanne Walton introduced John DiAngelo, Senior Vice President of Finance and Chief Financial Officer of South Jersey Hospital, Inc. and Tom Baldosaro, Vice President of Finance. Ms. Walton indicated that the Members of the Authority were being asked to consider a contingent sale of bonds on behalf of South Jersey Hospital, Inc. ("South Jersey" or "SJH") in an aggregate principal amount not to exceed \$170 million. The proceeds of the Series 2006 bond issue, together with other funds, will be used to (1) advance refund a portion of the Authority's Revenue Bonds, South Jersey Hospital Issue, Series 2002, (2) fund an amount necessary to meet the debt service reserve fund requirements, and, (3) provide for costs of issuance. The refunding portion of the proposed financing is expected to generate net present value savings of approximately \$10 million, which represents 7.14% of the refunded bonds.

The Series 2002 Bonds that will remain outstanding total \$19,385,000 and represent the non-callable bonds maturing between now and July 1, 2012.

Ms. Walton noted that SJH will be providing approximately \$3 million toward the refunding as a result of a matter concerning its facility in Newcomb. A portion of the proceeds of the 2002 bonds was used to renovate the Newcomb facility. Having opened the Regional Medical Center, it is now the intention of the SJH to sell the Newcomb facility and there is a potential that the facility will be sold to a taxable entity. Such a possibility means that new tax-exempt bond proceeds could not be used to refund the Newcomb portion of the 2002 Bonds. Bond Counsel has reviewed SJH's solution to the issue and is prepared to issue its unqualified tax opinion.

Ms. Walton indicated that the Series 2006 Bonds would be structured as a fixed rate public offering. The bonds will be issued on the credit of SJH, which is rated "Baa1" by Moody's Investors Service.

Mr. Hopkins noted that, as required by the Tax Reform Act of 1986, this portion of the meeting is considered a public hearing in connection with the Authority's proposed financing on behalf of South Jersey Hospital.

Mr. Tetelman then asked about the current status of the Newcomb facility sale, to which Mr. DiAngelo replied that the facility is currently on the market, however, there are no buyers as of yet.

### **SERIES RESOLUTION**

James Fearon, Esq., of GluckWalrath LLP stated that the Series Resolution authorizes the issuance of the tax-exempt Series 2006 bonds in an aggregate principal amount, exclusive of original discount, not in excess of \$170,000,000 and at a true interest cost not to exceed 7%. The Series 2006 bonds will have a final maturity date of no later than July 1, 2046 and will be issued on a parity with the unrefunded Series 2002 bonds. The obligation of SJH to repay the loan of the Series 2006 bond proceeds will be evidenced by a Note issued under a Master Trust Indenture, which Note will be secured on a parity with the notes securing the Series Bonds and other secured obligations of SJH by a gross receipts pledge and mortgages on certain property of South Jersey. In addition, the Series Resolution approves the form of and authorizes the execution of a Bond Purchase Contract prior to close of business on December 13, 2006. The Series Resolution also approves the form of the Bonds, Preliminary Official Statement, Official Statement, Loan Agreement and Escrow Arrangement. The Series Resolution also appoints US Bank National Association as Trustee, Bond Registrar and Paying Agent for the Series 2006 bonds.

Dr. Cohen asked about the 7% cap for the interest rate on the bonds, to which Mr. Fearon reiterated that the 7% relates to the true interest cost. The bonds will be issued in a fixed rate format.

Mr. Tetelman asked the members' pleasure with respect to the adoption of the Series Resolution. Dr. Cohen moved that the document be approved. Ms. Phillips seconded. The vote was unanimous and the motion carried.

**AB RESOLUTION NO. GG-27**

NOW, THEREFORE, BE IT RESOLVED, That the Authority hereby approves the Series Resolution entitled, "SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, SOUTH JERSEY HOSPITAL ISSUE, SERIES 2006."

Mr. Tetelman then closed the public hearing required by the Tax Reform Act of 1986 regarding the proposed financing on behalf of South Jersey Hospital.

**APPOINTMENT OF CO-MANAGERS**

Mr. Hopkins noted that the Authority "reserves the right to select firm(s), from its qualified list, to serve as co-managing underwriter(s) for its financings. Co-manager(s) will be selected by the Authority, based on demonstrated ability to distribute New Jersey securities of comparable credit quality, sufficient capital to participate in underwriting the issue, and borrower preference(s)."

South Jersey Hospital requested that Commerce Capital Markets, PNC Capital Markets and UBS Securities be considered as co-managers for the bonds. For a financing of this size the Authority staff recommends five co-managers. To complement the requested co-managers and the senior managing underwriter (Wachovia Securities) staff recommends adding Merrill Lynch and RBC Capital Markets as co-managers for their experience marketing to retail investors.

Because the five recommended firms (i) are on the Authority's qualified list, (ii) have demonstrated their ability to distribute New Jersey securities of comparable credit quality, (iii) have sufficient capital to participate in underwriting the issue, and (iv) incorporate the borrower's preference, staff recommended that Commerce Capital Markets, Merrill Lynch, PNC Capital Markets, RBC Capital Markets and UBS Securities be named co-managers for the bonds. Ms. Phillips moved to approve the recommendation. Dr. Cohen seconded. The vote was unanimous and the motion carried.

**AB RESOLUTION NO. GG-28**

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby appoints PNC Capital Markets, UBS Financial Services, Commerce Capital Markets, Merrill Lynch & Co., and RBC Dain Rauscher to serve as co-managers for the South Jersey Hospital transaction.

**EXPEDITED MINUTES**

Mr. Tetelman stated that SJH had requested an expedited review of the minutes related to actions taken on behalf of this transaction. Ms. Phillips made a motion to authorize the Assistant Secretary to execute a certified abstract of this portion of the minutes and forward it to the Governor with a recommendation that he approve all actions taken by the Authority with respect to the issuance and sale of its Revenue Bonds, South Jersey Hospital Issue, Series 2006. Dr. Cohen seconded. The vote was unanimous and the motion carried.

## **INFORMATIONAL PRESENTATION**

### ***CentraState Medical Center***

Suzanne Walton began by introducing John Dellocono, Senior Vice President of Finance for CentraState Medical Center (“CentraState”) and Debbie Connors, Assistant Vice President of Budget/Reimbursement and Managed Care.

Ms. Walton stated that staff is in the process of structuring an estimated \$75 million dollar financing on behalf of CentraState which is anticipated to include both taxable and tax-exempt debt. Proceeds of the proposed series 2006 bonds will be used to: (1) finance the construction of an ambulatory campus comprised of a three-story outpatient facility, a health awareness center, a medical fitness facility, and outpatient diagnostic services, all of which will connect to the hospital by an enclosed walkway at ground level; (2) finance upgrades to the MRI facility; (3) refinance a commercial loan that was used to pay the costs of the expansion of CentraState’s emergency department, (4) fund routine capital expenditures for the years 2006 through 2008, (5) fund a debt service reserve, if required, and (6) pay the related costs of issuance.

The construction period for the new ambulatory campus should take approximately two years. Upon completion of the ambulatory campus, CentraState plans to move some of the outpatient services to the new building including rehabilitation, centers for wound care, multiple sclerosis, pain management, cardiac rehabilitation and diagnostics. Since a portion of the ambulatory campus will house for-profit activities, a taxable series of bonds will be required.

The underwriter, UBS Securities, sent credit packages to the rating agencies and municipal bond insurers; an insurance commitment is expected.

Ms. Walton described CentraState as a 263-licensed bed facility located in Freehold, New Jersey providing health care services primarily to the residents of Monmouth County and portions of Ocean County. CentraState provides a broad range of adult, pediatric, newborn acute care and psychiatric services, as well as numerous outpatient, ambulatory and emergency care services.

CentraState’s historical financial and utilization data reflects favorable operating trends with increasing admissions, positive operating margins and strong liquidity. The decline in income from operations year-to-date is attributed to increased expenses associated with the hospital’s support of a family residence program that was begun in July of 2005. According to Ms. Walton, it is the intention that the bonds will be issued under a master indenture with CentraState being the sole member of the obligated group.

At this point, Susan Tonry provided a summary of the management projections submitted by CentraState. Ms. Tonry noted that the projections only consider the finances of CentraState Medical Center, since it is the sole member of the obligated group as defined in the Master Trust Indenture. Representing a forecast period of 2006 to 2010, the projections show:

- operating margins ranging from 1.2% to 1.5%, with breakeven performance in 2008, the project’s full first year of operation;
- excess margins ranging from 3.1% to 3.4%, dipping only as low as 2.1% in 2008,
- Cash on hand ranging from 174-169 days;
- Payables at a level below 74 days;
- Receivables remaining under 35 days; and,
- Debt Service Coverage Ratio ranges occurring from 2.3 to 2.8.

Ms. Tonry stated that, in short, the projections predict solid financial performance based on conservative assumptions. She noted a slight drop in all ratios as the project comes on line in late 2007 through the first year of operation in 2008, but the declining numbers trend upward in 2009 and 2010.

Ms. Tonry noted that when reviewing projections one must discuss key assumptions made in the projections.

In terms of Volume, there was an assumed increase in inpatient discharges ranging from 5% to 6% annually through the projection period, and surgical volume was expected to increase between 5% and 6% annually based upon recent and continued recruitment of surgeons. Same Day Surgery was presumed to maintain a volume at least equal to current volumes through 2010, which is very conservative, and outpatient visits were expected to increase by over 5% annually; again conservative (note: that figure is already up 10% in 2006 year-to-date). Emergency Department visits were expected to increase by 5% annually through 2010.

In terms of Expenses, total salaries were assumed to increase by between 6% and 8% over the projection period, including additional full-time employees related to an increased volume. Total supplies and other expense increases ranged between 8% and 9.5%, including cost of living increases plus incremental expenses related to volume. Fringe benefits presumed a range between 25.3% and 27.4% of the total salaries. Ms. Tonry noted that these increases are higher than typically seen but are consistent with volume projections.

In terms of Revenues, net patient service revenue numbers are assumed to rise between 6.9% and 8.7% throughout the forecast period, which is slightly higher than normal but is consistent with historical numbers. There were no changes assumed in the payer mix, and population growth in the primary service area from 2005 to 2010 was projected at 9.3%.

Ms. Tonry stated that, overall, these are generally conservative assumptions. The volume growth assumption is slightly on the high side but matches most of recent history. Mr. Tetelman noted that the growth, however, is not reflected in 2005 to 2006. Mr. Dellocono responded by stating that, while those years' numbers are flat, the trend for the last five years shows significant growth. Also, volume is expected to increase as a result of the expanded facilities due to 1) an ability to accommodate more business in a larger facility; 2) an increased draw to the facility in response to the larger variety of services offered; and, 3) the addition of new regional markets where CentraState currently has no presence but will with the expansion (namely the municipalities of Monroe and Jackson).

Dr. Cohen asked about the inclusion of only the financial information from CentraState Medical Center and not all of its affiliated organizations. Mr. Dellocono clarified that the ambulatory campus will be connected to the medical center and is included in the projections. Dr. Cohen questioned why certain other organizations were excluded from the projections. Mr. Hancock explained that a large corporation may have any number of smaller affiliated businesses, some that produce financial gains and some that produce losses. In order to be most attractive to potential bondholders, these entities will often only include in the Obligated Group those organizations that enhance the bonds. In some cases, the affiliated organizations provide a substantial amount of revenue and are named in the obligated group.

Mr. Tetelman asked if CentraState is continuing to enter into the long-term care arena, to which Mr. Dellocono replied in the affirmative, adding that Applewood Estates, a lifecare retirement community comprising 330 independent-living, assisted-living and skilled-nursing apartments, is currently undergoing a \$35 million expansion that is expected to finish by early 2007. CentraState's senior living communities continue to show a strong performance.

Mr. Jackson noted that the CentraState project seems to be designed to draw in increased volume rather than being built in response to a need due to already occurring volume increases. Mr. Dellocono stated that it is a combination of the two. While CentraState is able to manage its current volume, projections show that within 24 to 30 months the facility will have to turn people away for service. As designed, the project's timing is perfect because it will accommodate for the growth as it occurs and then draw in even more volume as a result of the upgrades and expansion.

This presentation was for informational purposes only; no action was required.

### ***NEGOTIATED SALE REQUEST***

#### ***Saint Barnabas Health Care Center***

Mr. Tetelman introduced Thomas Scott, the Vice President of Corporate Finance for Saint Barnabas Health Care System ("Saint Barnabas") and Vic Radina of Citigroup. Saint Barnabas signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing, the proceeds of which will be used to: (i) at Clara Maas Medical Center, construct a new 700-space parking garage and renovate the maternity unit for approximately \$14 million; (ii) at Community Medical Center, construct a new emergency department, construct and renovate the cancer center and renovate surgical areas for approximately \$80 million; (iii) at Newark Beth Israel Medical Center, renovate the Fast Track Unit, neonatal intensive care unit, operating room and the Cohen Cancer Center, and repair the parking garage for approximately \$5.7 million; (iv) refund approximately \$75 million of various maturities of the numerous bond issues completed by the Authority on behalf of Saint Barnabas facilities; and (v) fund a debt service reserve fund of approximately \$20 million.

The new money portion of the bonds for the first three projects totals approximately \$100 million which is made up of approximately \$65 million of reimbursement to Saint Barnabas for capital expenses already made for those projects and another \$35 million to complete those projects. With costs of issuance and other costs, Saint Barnabas is seeking to finance a total of approximately \$200 million through the Authority. Two or more series of bonds may be issued, at both fixed and variable rates.

Incorporated under the name of Saint Barnabas Corporation, but doing business as Saint Barnabas Health Care System, Saint Barnabas is a not-for-profit holding company. It is the sole corporate member or sole shareholder of numerous affiliated organizations and subsidiaries including seven acute care hospitals, namely: Saint Barnabas Medical Center in Livingston, Newark Beth Israel Medical Center in Newark, Monmouth Medical Center in Long Branch, Community Medical Center in Toms River, Kimball Medical Center in Lakewood, Clara Maas Medical Center in Belleville, and Union Hospital in Union. Saint Barnabas also operates nine long-term nursing facilities, two assisted living facilities, several ambulatory care centers, four home care agencies, the SBHCS

Foundation and affiliated foundations, as well as entities that provide pharmacies, biomedical engineering services, security and protection services, pharmaceutical purchasing services, and corporate functions.

According to the consolidated audited financial statements provided with the Memorandum of Understanding, Saint Barnabas generated a deficiency of revenues over expenses of approximately \$204.7 million for 2005 and excess revenues over expenses of \$30.9 million for 2004. It should be noted that the deficiency in 2005 includes a \$204.5 million Medicare settlement payment and \$20.5 million in closure costs for affiliated hospitals. Unaudited information for the first seven months of 2006 shows excess revenues over expenses of approximately \$23.4 million.

Saint Barnabas asks that the Authority permit the use of a negotiated sale based on: (i) sale of a complex or poor credit; (ii) large issue size; (iii) sale of a complex financing structure including the sale of more than one series of bonds, each structured differently; and (iv) the expected use of variable rate debt. Because these reasons are considered under the Authority's policy regarding Executive Order #26 to be a justification for the use of a negotiated sale, staff recommended the consideration of the resolution approving the use of a negotiated sale and the forwarding of a copy of the justification in support of said resolution to the State Treasurer.

After performing a competitive process in anticipation of this resolution's approval, Saint Barnabas selected Citigroup Global Markets as Senior Managing Underwriter for the bonds. Additionally, Saint Barnabas researched several law firms from the Authority's qualified list and requested that the firm of Wolf & Samson be selected to serve as bond counsel. The Saint Barnabas request has been forwarded to the Attorney General's Office for approval.

Mr. Tetelman asked how much outstanding debt Saint Barnabas currently has with the Authority, to which Mr. Scott replied approximately \$800 million. Ms. Phillips asked what the Medicare settlement totaled, to which Mr. Scott replied that the actual total is \$265 million to be paid out over six years. The \$204.5 million expense noted by Mr. Hopkins is the current present value of that settlement. The payments are frontloaded, with the first payment having been issued on July 2006 and the second due July 2007.

Dr. Cohen asked about the type of bondholders who invest in Saint Barnabas bonds, to which Mr. Radina replied that it is a combination of institutional and retail investors, with the majority being institutional. Dr. Cohen asked about Saint Barnabas' interest rates, to which Mr. Radina replied that Saint Barnabas receives very attractive interest rates and expects to see rates in the low 5% area for this transaction. They also expect a high level of demand for the bonds since the bonds will be issued in a fixed rate format and there is currently a dearth of fixed rate paper available in the market.

Dr. Cohen offered a motion to approve the pursuit of a negotiated sale on behalf of Saint Barnabas Health Care Center, and approve the forwarding of a copy of the justification in support of that resolution to the State Treasurer; Ms. Phillips seconded. The vote was unanimous, and the motion carried.



**AB RESOLUTION NO. GG-29**  
*(attached)*

***APPROVAL OF A JOINDER AGREEMENT***

***Christian Healthcare Center***

Wanda Lewis introduced Scott Kobler of McCarter & English (Hospital Counsel), Kevin Stagg as Christian Health Care Center's Chief Financial Officer, and Bill Mayer of DeCotiis, FitzPatrick, Cole & Wisler (Bond Counsel). Ms. Lewis then reminded the Members that on December 20, 2005 the Authority issued its Variable Rate Composite Program Bonds in three separate series, designated Series 2005 A-1 through A-3 Bonds in the total amount of \$49,600,000. Christian Health Care Center ("CHCC"), a non-profit organization that provides family-centered elder care and mental health services through a variety of facilities, received \$6,600,000 from the proceeds of the 2005 A-2 Bonds.

A portion of these proceeds were used to pay and/or reimburse CHCC for the renovations to the Heritage Manor Nursing Home, a 252-bed nursing home. Proceeds in the amount of \$625,000 were used to acquire an adjacent property to be used to reconfigure the entrance to the facility.

The property adjacent to the nursing home was formerly a gas station, and CHCC would prefer not to be the named owner of that property. CHCC requests that the Authority enter into a Joinder Agreement with CHCC and 291 Sicomac Avenue, LLC, a limited liability company (the "LLC") whose sole member is CHCC, thereby permitting the Authority to lend that portion of the 2005 A-2 bond proceeds for the acquisition of the property adjacent to the Nursing Home to the LLC instead of CHCC.

Ms. Lewis noted that this request is contained in a letter from Mr. Kobler, serving as Counsel to CHCC. The letter contains a further description of the proposed transaction. The LLC will provide CHCC with an easement to provide access to the Nursing Home. The Joinder Agreement would require the LLC to provide the same representations, covenants, warranties, indemnifications and assurances that CHCC provided in the original bond documents. The Letter of Credit Provider (Valley National Bank) and the Bond Trustee will consent to the Joinder Agreement.

Inasmuch as the Loan Agreement entered into between CHCC and the Authority contains environmental covenants, CHCC is required to remedy, represent, and warrant proof of compliance as per those sections cited by Mr. Kobler in his letter to the Authority. Additionally, environmental assessments were conducted and the written results/remedial actions are expected to be approximately \$90,000. The documentation was submitted to the Attorney General's Office for review.

Ms. Lewis added that Bond Counsel Bill Mayer has prepared the attached form of a Resolution authorizing the execution of a Joinder Agreement and the attached form of an Opinion confirming that if the 2005 A-2 Bond proceeds are used to purchase the land in the name of the LLC it would not adversely affect the tax-exempt status of the 2005 A-2 Bonds.

Ms. Lewis then requested, on behalf of staff, that the Members authorize the Executive Director or Deputy Executive Director to execute the proposed Joinder Agreement and any associated documents that may reasonably be required.

Dr. Cohen noted that in the past, lenders have been held responsible for environmental issues. He asked if the Authority feels secure in this request. Ms. Wanda stated that staff does feel secure with regard to the environmental assessment. Mr. Kobler, with the large docket of paperwork regarding the environmental issue in hand, stated that hospital counsel agreed that the environmental issues had been adequately addressed. He noted that the property in question is a very small parcel of the land to be used in the original bond issue, and for a very small amount, only \$625,000 of a \$6,600,000 issue. The land in question will be paved and used only for the reconfiguration of the entrance. He also noted that the environmental issues were addressed and disclosed appropriately including the remedial action report and its costs of approximately \$90,000.

Mr. Tetelman noted that the use of the LLC is primarily an attempt to limit CHCC's liability related to the property. Mr. Hopkins added that staff made sure that the Authority is as protected with the use of the LLC as it was when the bonds were initially issued on behalf of CHCC.

Ms. Phillips offered a motion to authorize the Executive Director or Deputy Executive Director to execute the proposed Joinder Agreement and any associated documents that may reasonably be required; Mr. Tetelman seconded. The vote was unanimous, and the motion carried.

#### **AB RESOLUTION NO. GG-30**

*(See documents attached)*

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby adopts "RESOLUTION AUTHORIZING THE EXECUTION OF A JOINDER AGREEMENT IN CONNECTION WITH THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS (VARIABLE RATE COMPOSITE PROGRAM - CHRISTIAN HEALTH CARE CENTER PROJECT) SERIES 2005 A-2"; and,

**BE IT FURTHER RESOLVED**, that the Authority approves the execution of various documents contemplated in the Resolution and Agreement.

#### ***AUTHORITY EXPENSES***

Mr. Tetelman referenced a summary of Authority expenses and invoices. Dr. Cohen offered a motion to approve the bills and to authorize their payment; Ms. Phillips seconded. The vote was unanimous and the motion carried.

### **AB RESOLUTION NO. GG-31**

**WHEREAS**, the Authority has reviewed memoranda dated September 28, 2006, summarizing all expenses incurred by the Authority in connection with FHA Mortgage Servicing, Trustee/Escrow Agent/Paying Agent fees, and general operating expenses in the amounts of \$686,993.22, \$37,560.50 and \$17,718.10 respectively, and has found such expenses to be appropriate;

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves all expenses as submitted and authorizes the execution of checks representing the payment thereof.

### ***STAFF REPORTS***

Mr. Tetelman referenced staff reports that were distributed for review, including the Project Development Summary, Interest Rate Trends Graph, Cash Flow Statement, and a Legislative Advisory. Mr. Tetelman then turned the floor over to Mr. Hopkins to present his Executive Director's Report, which included the following items:

1. The Authority's Finance Committee will be meeting on Tuesday, October 10<sup>th</sup> at 10:00 a.m. Since the Authority's by-laws require that Finance Committee Members be selected from the Public Members, and because the Authority recently had only two Public Members, the Authority only elected two Public Members to serve on the Finance Committee. Now that the Authority has added Public Member Thom Jackson, Mr. Hopkins noted that the Authority may wish to elect Mr. Jackson to the Finance Committee.

He reminded the members that, if the Authority elects Mr. Jackson he will be welcome at the next Finance Committee but will not be eligible to vote until after the Governor's veto period expires on or about October 13<sup>th</sup>. Mr. Tetelman then nominated Thom Jackson to the Finance Committee. He accepted the nomination, which was seconded by Ms. Phillips. The vote was unanimous and the motion carried.

### **AB RESOLUTION NO. GG-33**

**NOW, THEREFORE, BE IT RESOLVED**, that Public Member Thom Jackson is hereby elected to serve in on the Authority's Finance Committee.

It was also clarified on the record that the Authority's by-laws outline that the Finance Committee be comprised of four Public Members, which includes one alternate. Since there are currently only three Public Members of the Authority, all three are full Members of the Finance Committee; there is currently no alternate.

2. On September 15th, Governor Corzine issued Executive Order No. 34 establishing a Division of Minority and Women Business Development within the Office of Economic Growth. The Division will administer and monitor policies, practices and programs to ensure that minority and women owned business enterprises (“MWBEs”) are afforded an equal opportunity to participate in New Jersey’s purchasing and procurement processes. The Executive Order requires that all State entities, including the Authority, designate a Minority and Women Business Enterprises liaison within thirty days of the Executive Order. The MWBE Liaison will have direct access to Commissioner Jacobs, as the cabinet level official relating to the Authority, in matters concerning the MWBE program.

Mr. Hopkins recommended designating Controller, Michael Ittleson, as the Authority’s Minority and Woman Business Entity Liaison since he has been in charge of monitoring the Authority’s compliance with previous State initiatives regarding small, minority and women owned businesses. The appointment of Mr. Ittleson was unanimously agreed upon by the Authority Members present; this was deemed all that is necessary to effectuate the recommendation.

3. Also on September 15<sup>th</sup>, the Governor vetoed Senate Bill 1189 which would have permitted county improvement authorities to finance economic development projects, including possibly projects for health care organizations. Authority staff had submitted a memo asking that the Governor consider conditionally vetoing the bill and recommending that health care organization projects not be included in those economic development projects eligible for financing by county improvement authorities.
4. On September 25<sup>th</sup>, Governor Corzine issued Executive Order No. 37, which implements reforms to increase the transparency, efficiency and accountability of the State’s independent authorities. Many of the Executive Order mandates are already in place at the Authority; those that are not yet in place will be easy to enact.
5. On, September 25<sup>th</sup>, the U.S. Department of Housing and Urban Development, as mortgage insurer, granted a request by Jersey City Medical Center (“JCMC”) to allow a 90-day extension of a loan from HFG HealthCo-4. The original loan, which expired on September 26<sup>th</sup>, is secured by JCMC’s accounts receivable, which are part of the collateral securing the Authority bonds issued on behalf of JCMC in 2001. At the time of issuance, the Authority and HUD agreed to subordinate their security interests in the accounts receivable to HFG in order to allow JCMC to receive the loan.

HUD sought the Authority’s consent to the extension of the loan. Because the extension needed to be approved by September 26<sup>th</sup> and the Authority was not meeting until today, staff was not able to provide that consent, however, after consulting with Deputy Attorney General Cliff Rones, it was determined

that such consent was not required to extend the loan. HUD agreed to the extension without the Authority's consent. JCMC is expected to seek to negotiate a new long-term loan using its accounts receivable as collateral. HUD will again seek Authority consent for the new loan. Staff, therefore, provided JCMC and HFG with the necessary deadlines that must be met in order to request the Authority's consent to any new loan agreement in a timely manner.

6. Staff plans to have a form of a Post Retirement Health Care Benefits Trust for the Authority Members' consideration at the October meeting. One such Trust was close to being presented for this meeting, but staff learned of another possibly more appropriate form of trust termed a conditionally irrevocable trust that would allow the Authority to only use the money in the trust to pay out post-retirement health care benefits and only to revoke the trust if the Authority no longer has any post retirement health care benefit liabilities.
7. The members of the Hoboken Municipal Hospital Authority have been named. Next month, the Local Finance Board is expecting to consider the municipal hospital authority's management contract to operate the former St. Mary Hospital and possibly a short-term financing.
8. Hospital News:
  - a. William B. Kessler Memorial Hospital in Hammonton filed for Chapter 11 Reorganization on September 13<sup>th</sup>. Kessler has no outstanding debt with the Authority.
  - b. The nurses' strike at Robert Wood Johnson University Hospital ended when the nurses accepted a contract proposal on September 17<sup>th</sup>.
  - c. Jonathan Metsch resigned as CEO of Liberty Health System on September 22, effective immediately. COO & CFO Steve Kirby will be Acting CEO.
  - d. Christ Hospital announced that George Popko will be its new CFO.
  - e. Bill McDonald is now the permanent CEO at St. Joseph's Paterson. He was previously serving in that capacity on an interim basis as a consultant with Navigant Consulting.
  - f. Early this month Christy Stephenson announced her resignation as President and CEO of RWJ Hamilton effective December 31<sup>st</sup>.
  - g. Brian McIndoe is no longer CFO at Pascack Valley Hospital.
9. Authority Staff News:
  - a. Mr. Hopkins congratulated Michael Ittleson in honor of his 20<sup>th</sup> anniversary at the Authority this month.
  - b. Mr. Hopkins welcomed Neetu "Niki" Thukral, who joined the staff on September 11<sup>th</sup> as an assistant Account Administrator.
  - c. He stated that Steve Fillebrown is currently attending the NCHFFA conference in Denver, Colorado.

- d. Mr. Hopkins congratulated Ron Marmelstein, whose wife gave birth to his second son, a baby boy named Zachary.
10. Lisa Thornton, the Authority's previous representative from the Authority's Unit has been promoted to serve as Chief of Staff for the Attorney General.

Mr. Hopkins then introduced his wife and father-in-law who were in attendance at this meeting.

### ***EXECUTIVE SESSION***

As permitted by the Open Public Meetings Act and the Authority's By-Laws, the Members voted to meet in Executive Session to discuss personnel and contractual matters, and to receive advice from the Office of the Attorney General. Mr. Tetelman stated that the results of the discussion would be made known at such time as the need for confidentiality no longer existed. Ms. Phillips offered a motion to enter the session; Dr. Cohen seconded it. The vote was unanimous and the motion carried.

### **AB RESOLUTION NO. GG-32**

**NOW, THEREFORE, BE IT RESOLVED**, that, as permitted by the Open Public Meetings Act and the Authority's By-Laws, the Authority meet in Executive Session to discuss personnel and contractual matters, and to receive advice from the Office of the Attorney General.

**BE IT FURTHER RESOLVED**, that the results of discussions may be made known at such time as the need for confidentiality no longer exists.

Public session reconvened. As there was no further business to be addressed, Ms. Phillips moved to adjourn the meeting, Dr. Cohen seconded. The vote was unanimous, and the motion carried at 12:28 p.m.

I HEREBY CERTIFY THAT THE  
FOREGOING IS A TRUE COPY  
OF MINUTES OF THE NEW  
JERSEY HEALTH CARE  
FACILITIES FINANCING  
AUTHORITY MEETING HELD  
ON SEPTEMBER 28, 2006.

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Dennis Hancock  
Assistant Secretary

**AB RESOLUTION NO. GG-29**

**RESOLUTION OF INTENT TO ISSUE REVENUE BONDS BY  
NEGOTIATED TRANSACTION PURSUANT TO  
EXECUTIVE ORDER NO. 26**

***Saint Barnabas Health Care System***

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**WHEREAS**, the New Jersey Health Care Facilities Financing Authority (the “Authority”) was duly created and now exists under the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c. 29, N.J.S.A. 26:2I-1 et seq., as amended (the “Act”), for the purpose of ensuring that all health care organizations have access to financial resources to improve the health and welfare of the citizens of the State; and,

**WHEREAS**, the Authority issues its bonds from time to time for the achievement of its authorized purposes; and

**WHEREAS**, on October 25, 1994, the Governor issued Executive Order No. 26 which sets forth procedures by which an issuer may determine the method of sale of bonds or notes; and,

**WHEREAS**, on December 8, 1994, the Authority adopted Section 2 of its policy which was developed to implement Executive Order No. 26, which requires an Authority resolution to pursue a negotiated sale of bonds; and,

**WHEREAS**, on March 28, 1996, the Authority amended its policy related to Executive Order No. 26; and,

**WHEREAS**, the Authority’s policy states that a negotiated sale of bonds will be conducted if it is determined by the Authority that it would better serve the requirements of a particular financing; and,

**WHEREAS**, a negotiated transaction would be permitted in circumstances including, but not limited to, the sale of bonds for a complex or poor credit; the development of a complex financing structure, including those transactions that involve the simultaneous sale of more than one series with each series structured differently; volatile market conditions; large issue size; programs or financial techniques that are new to investors; or, for variable rate transactions; and,

**WHEREAS**, Saint Barnabas Health Care System has entered into a Memorandum of Understanding with the Authority to pursue a revenue bond financing (the “Financing”); and,

**WHEREAS**, Saint Barnabas Health Care System has requested that the Authority consider approving the pursuit of a negotiated sale; and,

**WHEREAS**, the Financing could be considered a complex or poor credit; and,

**WHEREAS**, the Financing may be of a complex structure, including the involvement of the simultaneous sale of more than one series with each series structured differently; and,

**WHEREAS**, the Financing could be considered as large; and,

**WHEREAS**, Saint Barnabas Health Care System is considering the issuance of variable rate bonds for all or a portion of the Financing; and,

**WHEREAS**, the Authority is desirous of being responsive to Saint Barnabas Health Care System's request; and,

**WHEREAS**, the aforementioned resolution and justification in support of such resolution must be filed, within five days of its adoption, with the State Treasurer;

**NOW, THEREFORE, BE IT RESOLVED**, that, based upon the above findings, the Authority hereby determines that it would better serve the requirements of this Financing to conduct a negotiated sale; and,

**BE IT FURTHER RESOLVED**, that the Executive Director is hereby directed and authorized to transmit a copy of this Resolution and justification in support of such resolution to the State Treasurer.



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NEW JERSEY HEALTH CARE  
FACILITIES FINANCING AUTHORITY

RESOLUTION AUTHORIZING THE EXECUTION OF A JOINDER  
AGREEMENT IN CONNECTION WITH THE  
NEW JERSEY HEALTH CARE FACILITIES FINANCING  
AUTHORITY REVENUE BONDS  
(VARIABLE RATE COMPOSITE PROGRAM -  
CHRISTIAN HEALTH CARE CENTER PROJECT)  
SERIES 2005 A-2

Adopted: September 29, 2006

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**RESOLUTION**

**RESOLUTION AUTHORIZING THE EXECUTION OF A JOINDER  
AGREEMENT IN CONNECTION WITH THE  
NEW JERSEY HEALTH CARE FACILITIES FINANCING  
AUTHORITY REVENUE BONDS (VARIABLE RATE  
COMPOSITE PROGRAM - CHRISTIAN HEALTH CARE CENTER PROJECT)  
SERIES 2005 A-2**

**WHEREAS**, the New Jersey Health Care Facilities Financing Authority (the "Authority") was duly created and now exists under the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c. 29, N.J.S.A. 26:2I-1 *et seq.* as amended (the "Act"), for the purpose of constructing, acquiring, reconstructing, rehabilitating, and improving, and furnishing and equipping any project of a "health care organization", with the rights and powers, inter alia, (i) to finance projects for health care organizations by making loans to such health care organizations, which loans may be evidenced by, and secured as provided in, loan agreements,

security agreements or other contracts, instruments or agreements, and (ii) to borrow money for the purpose of paying all or any part of the costs of construction, acquisition, financing, alteration, enlargement, reconstruction and rehabilitation of any health care organization project which the Authority is authorized to acquire, construct, finance, improve, install, maintain or operate under the Act; and

WHEREAS, the Authority has heretofore entered into that certain Loan Agreement dated as of December 1, 2005 (the "Loan Agreement"), by and between the Authority and Christian Health Care Center ("CHCC"); and

WHEREAS, the Authority has issued its Revenue Bonds (Variable Rate Composite Program – Christian Health Care Center Project) Series 2005 A-2 in the aggregate principal amount of \$6,600,000 (the "Bonds") pursuant to the terms of that certain Trust Indenture dated as of December 1, 2005, by and between the Authority and The Bank of New York (the "Trustee"); and

WHEREAS, the Authority loaned a portion of the proceeds of the Bonds to CCHC pursuant to the terms of the Loan Agreement to finance the Project (as defined in the Loan Agreement);

WHEREAS, CCHC now desires that the portion of the Project identified as the acquisition of property located at 291 Sicomac Avenue (the "Sicomac Property") be effected by and through Sicomac LLC ("Sicomac LLC"), a limited liability company whose sole member is CHCC and is intended to be used solely for the purpose of taking title to the Sicomac Property; and

WHEREAS, a Joinder Agreement by and among Sicomac LLC, the Authority, and CHCC (the "Joinder Agreement") providing that Sicomac LLC shall be jointly and severally liable with CCHC for all obligations of CCHC under the Loan Agreement has been presented to the Authority, and the Authority desires to approve the form of and to authorize the execution of the Joinder Agreement.

**NOW, THEREFORE, BE IT RESOLVED** by the New Jersey Health Care Facilities Financing Authority, as follows:

**SECTION 1. Approval of Joinder Agreement.** The form of the Joinder Agreement presented to the meeting at which this Resolution is adopted (a copy of which shall be filed with the records of the Authority) is hereby approved. Any Authorized Representative of the Authority (as defined in the Loan Agreement) is hereby authorized and directed to execute, acknowledge and deliver, and any other Authorized Representative of the Authority is hereby authorized and directed to affix and attest the seal of the Authority to the Joinder Agreement in substantially such form, with such changes therein and any supplements thereto as Counsel may advise and the Authorized Representative executing the same may approve, such approval to be evidenced by such Authorized Representative's execution thereof.

SECTION 2. Prior Resolutions. All prior resolutions of the Authority or portions thereof inconsistent herewith are hereby repealed.

SECTION 3. Effective Date. This Resolution shall take effect ten (10) days, exclusive of Saturdays, Sundays and public holidays, after delivery to the Governor of the minutes of the meeting of the Authority at which this Resolution is adopted or at such earlier time as the Governor signs a statement of approval, all in accordance with subsection (i) of Section 4 of the Act.

## JOINDER AGREEMENT

THIS JOINDER AGREEMENT, dated as of \_\_\_\_\_, 2006, (this “Joinder Agreement”) among 291 Sicomac Avenue, L.L.C. (“Sicomac LLC”), a limited liability corporation organized under the laws of the State of New Jersey (the “State”), the New Jersey Health Care Facilities Financing Authority (the “Authority”), a public instrumentality and body corporate and politic of the State of New Jersey created by and existing under the New Jersey Health Care Facilities Financing Authority Law (P.L. 1972, c. 29, N.J.S.A. 26:2I-1 et seq.) and Christian Health Care Center (“CHCC”), a not-for-profit corporation duly organized and validly existing under the laws of the State.

### W I T N E S S E T H:

WHEREAS, all capitalized terms used in these recitals to this Joinder Agreement and not otherwise defined shall have the same meanings as set forth in the Loan Agreement dated as of December 1, 2005 (the “Loan Agreement”), by and between the Authority and CHCC, unless the context requires otherwise; and

WHEREAS, the Authority has issued its Revenue Bonds (Variable Rate Composite Program – Christian Health Care Center Project) Series 2005 A-2 in the aggregate principal amount of \$6,600,000 (the “Bonds”) pursuant to the terms of that certain Trust Indenture dated as of December 1, 2005, by and between the Authority and The Bank of New York (the “Bond Trustee”); and

WHEREAS, the Authority loaned a portion of the proceeds of the Bonds to CCHC pursuant to the terms of the Loan Agreement to finance the Project (as defined in the Loan Agreement);

WHEREAS, CCHC now intends that the portion of the Project identified as the acquisition of property located at 291 Sicomac Avenue (the “Sicomac Property”) is to be effected by and through Sicomac LLC, a limited liability company whose sole member is CHCC and is intended to be used solely for the purpose of taking title to Sicomac Property; and

WHEREAS, the parties to the Loan Agreement desire that Sicomac LLC be jointly and severally liable with CCHC for all obligations of CCHC under the Loan Agreement.

NOW, THEREFORE, the parties hereto, intending to be legally bound hereby, agree as follows:

## ARTICLE I

### Definitions

Unless otherwise defined herein, all capitalized terms and words used herein shall have the same meanings as set forth in the Loan Agreement.

## ARTICLE II

### Representations and Warranties

Section 2.01. Representations and Warranties of Sicomac LLC. Sicomac LLC makes the following representations and warranties as the basis for its covenants herein:

(a) Sicomac LLC is a limited liability corporation duly incorporated and in good standing under the laws of New Jersey.

(b) Sicomac LLC has read the Loan Agreement. The execution and delivery of this Joinder Agreement, the consummation of the transactions contemplated hereby and by the Loan Agreement and fulfillment of the terms and conditions hereof and thereof do not and will not conflict with or result in a breach of any of the terms and conditions of any corporate restriction (including Sicomac LLC's Certificate of Formation and Operating Agreement) or any agreement or instrument to which Sicomac LLC is a party, and do not and will not constitute a default under any of the foregoing, or under any law, court or administrative regulation, decree or order, or, except as provided herein and in the Loan Agreement, result in the creation of or imposition of any lien, charge or encumbrance upon any of the property or assets of Sicomac LLC.

(c) Sicomac LLC has full power and authority to enter into and perform this Joinder Agreement and its liabilities and obligations under the Loan Agreement, and such action has been duly and validly authorized by all necessary corporate action on its part.

(d) This Joinder Agreement has been duly and validly executed by Sicomac LLC and constitutes the legal, valid and binding obligation of Sicomac LLC enforceable in accordance with its terms, except as limited by bankruptcy, insolvency or other laws affecting creditors' rights generally or by equitable principles.

(e) No representation or warranty made by Sicomac LLC under this Joinder Agreement, and no statement made by Sicomac LLC to the Authority or to CHCC in connection herewith is false or misleading in any material respect (including by reason of any omission of material information necessary to make such representation, warranty or statement not misleading). Sicomac LLC has disclosed to the Authority or to CHCC in writing every fact which materially and adversely affects, or which so far as Sicomac LLC can foresee, is reasonably possible in the future and would materially adversely affect, the business, operations or financial condition of Sicomac LLC, or its ability otherwise to perform its obligations under this Joinder agreement and under the Loan Agreement.

### ARTICLE III Covenants of Sicomac LLC

Section 3.01. Incorporation of Covenants from Loan Agreement. Sicomac LLC agrees to comply with, and to cooperate with CHCC in complying with, all covenants and restrictions which the Loan Agreement imposes upon or requires of CHCC, and all of such covenants and restrictions are hereby incorporated by reference as if set forth in full herein.

Section 3.02. Agreement to Make Payments. Without limiting anything in Section 3.01 hereof, Sicomac LLC agrees that (i) it will promptly pay each and every Loan Payment under the Loan Agreement when and as the same shall become due and payable, and (ii) it acknowledges its joint and several liability under the Loan Agreement for the timely payment of all Loan Payments and all other payment obligations thereunder by or for CHCC and, to the extent permitted by law, it will upon written direction of CHCC transfer to CHCC, by loan, advance, grant or otherwise (the form of such transfer to be determined by CHCC), such of Sicomac LLC's receipts, revenues, income and other moneys received by or on behalf of Sicomac LLC, including, without limitation, contributions, donations and pledges whether in the form of cash, securities, deposit accounts, or other personal property, revenues derived from the operation of the facilities of Sicomac LLC, and all rights to receive the same, whether in the form of accounts receivable, contract rights, chattel paper, instruments or other rights, and the proceeds thereof, and any insurance or condemnation proceeds thereon, whether now existing or hereafter coming into existence and whether now owned or held or hereafter acquired by Sicomac LLC, and such of Sicomac LLC's other assets, as are deemed necessary by CHCC (or any assignee of the rights of CHCC hereunder) to enable CHCC to comply with the provisions of the Loan Agreement and to enable CHCC and Sicomac LLC to meet all of its joint and several liability in respect of all Loan Payments and all other payment obligations under the Loan Agreement.

Section 3.03. Consent to Assignment. Sicomac LLC hereby agrees that the rights of the Authority pursuant to this Joinder Agreement may be assigned to the Bond Trustee and agrees that the same may be prosecuted and enforced in conformity with the Loan Agreement from and after the occurrence of any Event of Default under the Loan Agreement.

Section 3.04. Obligations of Sicomac LLC Absolute. The obligations of Sicomac LLC under this Joinder Agreement and under the Loan Agreement shall be absolute and unconditional and shall remain in full force and effect unless and until all Lease Payments due and owing under the Loan Agreement shall have been paid in full, or provision for such payment shall have been made in accordance with the Loan Agreement.

Section 3.05. Members. No Member of Sicomac LLC other than CHCC shall be admitted to Sicomac LLC without the prior delivery to the Bond Trustee and the Authority of an opinion of nationally recognized bond counsel to the effect that such admission will not adversely affect the tax-exempt status of the Bonds.

Section 3.06. Tax Election of Sicomac LLC. So long as the Bonds are outstanding, Sicomac LLC shall not elect to be taxed as a corporation for federal income tax purposes.

#### ARTICLE IV Events of Default

Section 4.01. Events of Default Defined. The occurrence of an Event of Default under the Loan Agreement shall constitute an “event of default” hereunder. In addition, the following shall constitute specific “events of default” hereunder.

- (a) Failure of Sicomac LLC to comply with Section 3.02 hereof; or
- (b) Any representation or warranty made by Sicomac LLC herein or in any statement or certificate furnished to the Authority or to CHCC shall prove untrue in any material and adverse respect as of the date of the issuance or making thereof.

Section 4.02. Consequences of Events of Default.

- (a) The occurrence of an event of default hereunder shall be an Event of Default under the Loan Agreement.
- (b) Upon the occurrence and during the continuance of any event of default hereunder, CHCC and the Authority shall have and may pursue any available remedy including an action at law or suit in equity to enforce the obligations of Sicomac LLC hereunder including without limitation to make transfers to the CHCC in accordance with Section 3.02 hereof. In addition, the Authority may pursue any remedies available under the Loan Agreement.
- (c) The Authority, in its sole discretion, shall have the right to proceed first directly against Sicomac LLC under this Joinder Agreement without proceeding against, or exhausting any other remedies which it may have against CHCC, or any other person, firm or corporation, and without resorting to any security held by the Authority for the security of the Loan Payments under the Loan Agreement.
- (d) To the extent permitted by applicable law, Sicomac LLC agrees to pay all costs, expenses and fees, including all reasonable attorneys’ fees, which may be incurred by the Authority in enforcing or attempting to enforce this Joinder Agreement following any default on the part of Sicomac LLC hereunder, whether the same shall be enforced by suit or otherwise.

Section 4.03. Appointment of Receiver. The Authority shall be entitled as of right to the appointment of a receiver.

Section 4.04. Remedies Not Exclusive. No remedy herein conferred is intended to be exclusive of any other remedies, and each remedy is in addition to every other remedy given hereunder now or hereafter existing at law or in equity or by statute.

Section 4.05. Delays and Omissions Not to Impair Rights; Waivers Limited. No delay or omission in respect of exercise of any right or power accruing upon any event of default hereunder shall impair such right or power or be a waiver of such event of default, and every remedy given by this Article IV may be exercised from time to time and as often as may be deemed expedient. No waiver of any event of default hereunder or any Event of Default under the Loan Agreement, shall extend to or shall affect any subsequent event of default hereunder or Event of Default under the Loan Agreement or shall impair any rights or remedies consequent thereon.

Section 4.06. Authority Entitled to All Remedies Under Law. It is the purpose of this Article IV to provide such remedies to the Authority as may be lawfully granted, but should any remedy herein or in the Loan Agreement be held unlawful, the Authority shall nevertheless be entitled to every lawful remedy. It is further intended that insofar as lawfully possible, the provisions of this Article IV shall apply to and be binding upon any trustee or receiver.

Section 4.07. Representation as to No Default. CCHC represents and warrants that as of the date hereof, no Event of Default (as defined in the Loan Agreement) or event which with the lapse of time or the giving of notice or both, would constitute such an Event of Default has occurred and is continuing and the execution and delivery of this Joinder Agreement shall not constitute an Event of Default or an event which with the lapse of time or the giving of notice or both, would constitute an Event of Default under the Loan Agreement.



## ARTICLE V Assignment

Section 5.01. Authority's Assignment. The Authority does hereby assign, transfer and pledge to the Bond Trustee and its successors in trust and its and their assigns forever and grant to the Bond Trustee and its successors in trust and its and their assigns a security interest in all right, title and interest (but not the obligations) of the Authority under and pursuant to the terms of this Joinder Agreement.

## ARTICLE VI Miscellaneous

Section 6.01. No Personal Recourse. No recourse shall be had for any claim based on this Joinder Agreement against any director, officer or employee, past, present or future, of the Authority, of CHCC, of Sicomac LLC or of any successor of either, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or by any legal or equitable proceeding or otherwise.

Section 6.02. No Rights Conferred On Others. Nothing herein contained shall confer any right upon any Person other than the parties hereto, as provided herein.

Section 6.03. Amendments and Supplements. Sicomac LLC, with the consent of the Authority and CHCC, may from time to time enter into such supplements and amendments to this Joinder Agreement as they may deem necessary or desirable to effectuate the purposes or intent hereof; provided, however, that no such amendment or supplement shall be effective if not adopted in accordance with the terms of the Loan Agreement.

Section 6.04. Severability. If any clause, provision or section of this Joinder Agreement is held illegal or invalid by any court, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections hereof and this Joinder Agreement shall be construed and enforced as if such illegal or invalid clause, provision or section had not been contained herein. In case any agreement or obligation contained in this Joinder Agreement is held to be in violation of law, then such agreement or obligation shall be deemed to be the agreement or obligation of Sicomac LLC to the fullest extent permitted by law.

Section 6.05. Notices. All notices, certificates, requests or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, addressed as follows: if to Sicomac LLC, to \_\_\_\_\_, Attention: \_\_\_\_\_, if to CHCC, to Christian Health Care Center, 301 Sicomac Avenue, Wyckoff, New Jersey 07481, Attention: \_\_\_\_\_, and if to the Authority, to New Jersey Health Care Facilities Financing Authority, P.O. Box 366, Trenton, New Jersey 08625, Attention: \_\_\_\_\_ (or by hand – Station Plaza Building #4, 22 South Clinton Avenue, Trenton, New Jersey 08609-1212). Sicomac LLC, the Authority and CHCC may, by notice given hereunder, designate any further or different addresses to which subsequent

notices, certificates, requests or other communications shall be sent. Copies of any notice given pursuant to this Joinder Agreement shall be delivered to the Bond Trustee and Valley National Bank at the notice addresses set forth in the Indenture.

Section 6.06. Successors and Assigns. This Joinder Agreement shall inure to the benefit of and shall be binding upon Sicomac LLC, the Authority and CHCC and their respective successors and assigns.

Section 6.07. Counterparts. This Joinder Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts shall together constitute but one and the same agreement.

Section 6.08. Applicable Law. This Joinder Agreement has been executed and delivered under the laws of the State of New Jersey and such laws shall govern the construction of this Joinder Agreement.

IN WITNESS WHEREOF, Sicomac L.L.C., the Authority and CHCC have caused this Joinder Agreement to be executed in their respective corporate names and have caused their respective corporate seal is to be hereunto affixed and attested to by their duly authorized officers, all as of the date first above written.

291 SICOMAC L.L.C.

[Seal]

By: \_\_\_\_\_  
Operating Manager

Attest:

(Assistant) Secretary

NEW JERSEY HEALTH CARE  
FACILITIES FINANCING AUTHORITY

[Seal]

By: \_\_\_\_\_  
Executive Director

Attest:

(Assistant) Secretary

CHRISTIAN HEALTH CARE CENTER,

By: \_\_\_\_\_  
Executive Vice President and  
Chief Financial Officer

Attest:

(Assistant) Secretary

## ACKNOWLEDGEMENT AND CONSENT

The Bank of New York and Valley National Bank hereby acknowledge the terms, and consent to the execution and delivery, of this Joinder Agreement.

THE BANK OF NEW YORK

By:\_\_\_\_\_

VALLEY NATIONAL BANK

By:\_\_\_\_\_

Dated:\_\_\_\_\_, 2006